

# CENTRAL DEPOSITORY SYSTEM

*Presented by*

Farhad Ahmed

Executive Director, SEC

Email: [secfa@bol-online.com](mailto:secfa@bol-online.com)

Website: [www.secbd.org](http://www.secbd.org)



# What is Depository ?

A depository can be compared to a bank. A Depository holds securities of investors in electronic form. Besides holding securities, a depository also provides services related to transaction in securities.



# Who is Depository Participant (DP)?

Depository interfaces with investors through its agent called depository participants (DP). DPs are like broker/ dealer of the stock exchanges. If an investor wants to utilize the services offered by a depository, the investor has to open an account with a DP. Financial institutions, banks, insurance companies, limited companies, approved clearing corporation, clearing house of stock exchanges and any registered stock dealer, stock broker, merchant banker, asset management company, custodian or any capital market intermediary can become DP.



# Process of Account Opening

The process of opening an account with the depository through a DP is similar to opening an account with a bank.

## Procedures :

- ➡ Approach DP
- ➡ Fill up an account opening form
- ➡ Sign a standard agreement



# Am I restricted to having only one DP?

No. There are absolutely no restrictions on the number of DPs you can open accounts with but if you are an individual (not institution) then you can not open more than one account with the same DP.



**Do I have to keep any minimum balance of securities in my account?**

No. In fact you can have zero balance in your account.



# *Benefits*



- No bad deliveries
- Immediate transfer of shares
- Reduction in handling large volume of papers
- Elimination of risks associated with physical certificates such as loss, theft, mutilation, forgery etc.



# Services

- Dematerialization i.e., converting physical certificates to electronic form
- Rematerialization opposite of dematerialization
- Transfer of securities
- Settlement of trade executed in stock exchanges
- Pledging of dematerialized securities
- Electronic credit in public offering of companies
- Receipt of non-cash corporate benefits such as bonus, rights in electronic form



# *Dematerialization*

Dematerialization is a process by which physical certificates of an investor are converted to an equivalent number of securities in electronic form and credited in the investor's account with his/her DP.



## *Can I dematerialize my share certificates ?*

Yes, you can dematerialize only those certificates that are already registered in your name and belong to the list of securities admitted for dematerialization.



Do my dematerialized shares have distinctive/certificate numbers ?

No. Your dematerialized shares will not have any distinctive or certificate numbers. These shares are fungible



*Can I dematerialize odd-lot shares ?*

Yes. Odd lot shares certificates can also be dematerialized.



# How long the dematerialization process will take ?

It may take only two days.



# REMATERIALIZATION



# Can my electronic holdings be converted into certificates ?

Yes. If you wish to get back your securities in physical form, all you have to do is to request your DP for rematerialization of the same. 'Rematerialization' is the term used for converting electronic holdings back into certificates. Your DP will forward your request to depository after verifying that you have the necessary balances. Depository in turn will intimate the registrar who will print the certificates for you



# ***Will I get back the same certificates after rematerialization ?***

You may not be allotted certificates with the same distinctive and certificate numbers. However, it does not matter really. You will usually be allotted a new certificate. But for that matter your right as a shareholder will not be affected.



# TRADING/SETTLEMENT

- Investors sells shares in any of the stock exchanges linked to depository through a broker of his choice
- Investors gives instruction to his DP for debit of his account and credit of his broker's clearing member pool account.
- On the pay-in day investor's broker gives instruction to his DP for delivery to clearing house of the relevant stock exchange
- The broker receives payment from the clearing house
- The investor receive payment from the broker for the sale in the same manner he would receive payment for sale in the physical mode.



# Purchasing of dematerialized shares

- Investors purchase shares in any of the stock exchanges connected to depository through a broker of his choice and makes payment to his broker
- Broker arranges payment to clearing house
- Broker receives credit on his clearing account with his DP on the pay-out day
- Broker gives instruction to his DP to debit his clearing account and credit his client's account
- Investors gives instruction to his DP for receiving credit in his investor account
- If the instructions match investors account with his DP is credited



## *Why should I prefer to buy dematerialized shares ?*

When you buy dematerialized shares you become the owner of those shares as soon as they are credited to your account. This is unlike the physical market where it will take a long time. Further, the possibility of loss or theft of share certificates is completely eliminated.



# *PUBLIC OFFER*



Is it possible for me to get securities allotted to me in public offerings directly in dematerialized form?

Yes, In fact in the public issue application form you have to mention your DP account number, any allotment due to you will be credited to your account.



# CORPORATE ACTION



## Who will give me the benefits arising out of my holdings, say a bonus or a dividend ?

When any corporate event such as rights or bonus or dividend is announced for a particular security, depository will give the details of all the clients having electronic holdings in that security as of the record date to the company. The company will then calculate the corporate benefits due to all the shareholders. The disbursement of cash benefits such as dividend/interest will be done by the company whereas depository will do the securities entitlements based on the information provided by the company.



# *CHARGES*



# What will be the charges for account opening and other depository related transactions ?

The depository can not fix the charges of its own. The fees payable by a DP for the services provided by the depository in respect of transaction of securities is prescribed by regulations. But DP's can determine their own service charge. The present relevant rate chart of the depository are given below:

- Demat fee: 0.00025 of market value of securities or Taka 5.00 whichever is higher.
- Transaction fee: 0.00025 of market value of securities or Taka 5.00 whichever is higher.
- Custody fee: 0.050% of market value of securities or Taka 5.00 whichever is higher.
- Remat fee: 0.10 or Taka 100/= per security whichever is higher



# *Proof of De-mat Securities*



# ***What will be the proof of my de-mat securities ?***

As per provision of the Depositories Act, 1999 the statement given by the depository will be accepted as a prima facie evidence by a court of law.



# Some Statistics ( As on 11 September 2006)

- Number of companies under CDBL  
101
- Number of accounts opened 7.02 lacs
- Number of shares demated 24.00 crores



*THANK YOU*

